

Decision 03-06-019 June 5, 2003

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Catalina Passenger Service, Inc., a California corporation for authorization to increase rates of fare for the transportation of passengers by vessel between Newport Beach and Avalon, Catalina Island, California.

Application 03-03-037  
(Filed March 26, 2003)

**O P I N I O N**

**Summary**

This decision grants the application of Catalina Passenger Service, Inc. (Applicant), a corporation, to increase its fares pursuant to Pub. Util. Code §§ 454 and 491.

**Discussion**

Applicant holds a certificate of public convenience and necessity to operate as a vessel common carrier (VCC-47) transporting passengers between Newport Beach and Santa Catalina Island. The authority was granted by Decision 86252, dated August 17, 1976.

Applicant presently operates one vessel, the *Catalina Flyer*. It carries a maximum of 500 passengers at a speed of approximately 26 knots. Virtually all of Applicant's passengers are tourists and sightseers who go to Catalina for a day, a weekend, or a summer vacation. Applicant states 79% of its passengers travel between June 1 and September 30.

This application requests approval to increase fares. Applicant's current fares were authorized by Decision (D.) 97-06-042 in Application 97-03-043. Applicant states it has experienced increases in costs of operations. Insurance

costs on the *Catalina Flyer* have gone up 5-10% each year over the last three years, and an increase of at least 10% is expected in 2003. Because of the age of the vessel, 14 years, maintenance costs are increasing each year. Fuel costs have also risen, climbing 32% between April 2002 and January 2003.

Applicant's employees have received few pay increases over the last three years. To keep up with industry standards, Applicant states an immediate 10% increase is needed. The cost of group medical coverage has increased 10-15% in each of the last three years. Coverage has been renewed for 2003 at a 10% increase over 2002 rates.

At current fares, Applicant projects an operating loss of \$155,229 and an operating ratio of 105.9% in 2003. Under the proposed fare increases, revenue is projected to increase \$431,000, or 16.4%, resulting in an operating ratio of 92.7% (before taxes).

Applicant's current and proposed fares are shown in Table 1 below.

**TABLE 1**  
**Current and Proposed One-Way Fares**  
(In dollars per person unless otherwise indicated)

	<u>Current</u>	<u>Proposed</u>
Adult	16.75	19.25
Seniors 60 yrs. and older	15.25	17.75
Child 12 yrs. and under	9.00	11.00
Infant 2 yrs. and under	N/C	N/C
Commuter	9.00	11.00
Group –Adults (Weekend)	15.25	17.25
Group – Adults (Weekday)	13.75	15.75
Consignment	12.13	14.00

Table 2 sets forth the estimated results of operations under present and proposed fares for the test year ending December 31, 2003.

**TABLE 2**  
Test Period Ending December 31, 2003  
Income Statement

	Historical Year Ending December 31, 2002	Test Year Ending December 31, 2003	
	<u>Present Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$2,631,000	\$2,631,000	\$3,062,000
Operating Expenses	\$2,694,316	\$2,786,229	\$2,839,357 <sup>1</sup>
Operating Income (Loss)			
Before Taxes	(\$63,316)	(\$155,229)	\$222,643
Operating Ratio			
Before Taxes	102.4%	105.9%	92.7%

We find that Applicant's request is justified. We will grant the application effective immediately.

Notice of filing of the application appeared in the Commission's Daily Calendar on March 27, 2003. A copy of the application was served on the affected cities and counties.

In Resolution ALJ 176-3110 dated April 3, 2003, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protest has been received. Given this status, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3110.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

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<sup>1</sup> Terminal expense is set at 15% of gross income and will increase with a fare increase.

### **Assignment of Proceeding**

Richard Clark is the assigned Examiner in this proceeding.

### **Findings of Fact**

1. The application requests authority to increase fares for Applicant's vessel common carrier service between Newport Beach and Catalina Island.
2. Applicant's current fares were authorized in 1997 by D.97-06-042.
3. Under its current fares, Applicant projects 2003 revenue of \$2,631,000, expenses of \$2,786,229, and an operating ratio of 105.9%.
4. Under the proposed fares, Applicant projects revenue of \$3,062,000, expenses of \$2,839,357, and an operating ratio of 92.7% before income taxes.
5. The requested fares under Pub. Util. Code §§ 454 and 491 are just and reasonable.
6. No protest to the application has been filed.
7. A public hearing is not necessary.
8. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

### **Conclusions of Law**

1. The request to increase fares under Pub. Util. Code §§ 454 and 491 is justified.
2. The application should be granted.
3. Since the matter is uncontested, the decision should be effective on the date it is signed.

**O R D E R**

**IT IS ORDERED** that:

1. Catalina Passenger Service, Inc., (Applicant), is authorized to establish the increased vessel common carrier fares set forth in the application.
2. Tariffs may be filed on or after the effective date of this order. They may become effective five days or more after the effective date of this order provided that the Commission and the public are given not less than five days' notice.
3. Applicant shall inform the public of the increased fares and rates and their effective date by posting notice on its vessels. Such notice shall be posted not later than the date the new fares and rates take effect and shall remain posted for not less than 30 days.
4. This authority shall expire unless exercised within 90 days after the effective date of this order.
5. The Application is granted as set forth above.
6. This proceeding is closed.

This order is effective today.

Dated June 5, 2003, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
CARL W. WOOD  
LORETTA M. LYNCH  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
Commissioners